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June 22, 2005

Ms. Chris Palacios
Senior Vice President
Central Arizona Division
Southwest Gas Corp.
10851 N. Black Canyon Highway
Phoenix, Az. 85029-4755

Dear Ms. Palacios:

On January 28, 2005 more than 10,000 north Phoenix residents were forced to go without natural gas service for several days when a gas leak from a raster valve located in a business district required your Company to shutter a major distribution and a smaller transmission line.

Testing on the valve concluded that the leak was occasioned by a combination of loading, including pressure from traffic on the street above the pipeline.¹ The experience raises a number of questions about how Southwest Gas can avoid such leaks in the future and prevent a repeat of such a widespread shut-down of service.

Specifically, I would like to know:

- Whether you believe that high risk areas, based on the age, location and history of the pipes as well as the danger posed by an explosion, should be identified and surveyed twice each year, not to exceed seven months? As you know, currently surveys in business districts are required once each calendar year with intervals between surveys not to exceed 15 months.
- As you are aware, the 16th and Palm Settlement Agreement required Southwest Gas to investigate 1,700 raster valves a year in Arizona. Has Southwest Gas investigated 1,700 raster valves per year as called for under that agreement? If not, why? And should the investigations of these raster valves be prioritized in a way that would make it more likely that defective rasters like the one involved in the January 28 leak would be found and fixed? Is such a prioritization, perhaps according to heavily trafficked intersections, densely populated areas or by valves that have the longest service life, possible?
- Can more raster valves be found and made operational in order to reduce the number of service connections that have to be shut off when a leak is discovered? Moreover, as

¹ See "Report on Investigation of Cracked Valve at Thunderbird and 19th Avenue, Phoenix, Arizona" by Robert Eiber, May 2005

Ms. Chris Palacios
June 22, 2005
Page 2

Southwest Gas builds out to Arizona's developing communities, are enough valves being installed so that when a shut off occurs its effects can be limited?

In addition, I am concerned about the status of Performance M8000 pipe throughout Southwest Gas' service territory. Recently, the Commission was informed by our Pipeline Safety Division that Performance M8000 pipe, a brand of pipe that has been used by Southwest Gas in all three of its service territory states, has been determined to be susceptible to slit failure. This defect is believed to be the result of contamination that occurred during the Performance manufacturing process. I believe this defective pipe may present a danger to Arizona residents if it is not properly monitored and maintained.

To that point, have you been able to determine through your contacts with the manufacturer of Performance M8000 how much of the defective pipe was laid in Arizona and precisely where it is located? Obviously finding the M8000 pipe is a critical first step to addressing the problem. I understand that the company is aware of several locations where the pipe has leaked in Arizona and has conducted targeted and aggressive leak surveys in those neighborhoods. However, these leak surveys have only been conducted in places where the pipe has actually failed. At the very least I believe we need to know where the defective pipe has been placed and once it is mapped I believe Southwest Gas and the Commission should consider whether aggressive leak surveys in those areas should be expanded.

Thank you for your attention to these important matters.

Sincerely,



Kris Mayes
Commissioner

Cc: Chairman Jeff Hatch-Miller
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